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Offshore-Rig Operator Noble Files for Bankruptcy; Struggling offshore oil-and-gas driller files for chapter 11 after striking a \$3.4 billion debt-for-equity swap with bondholders

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Body

Noble Corp., an operator of offshore oil-and-gas drilling rigs, filed for bankruptcy Friday, the latest victim of falling oil demand as the coronavirus pandemic ravages the global economy.

London-based Noble and more than three dozen affiliates sought chapter 11 protection in U.S. Bankruptcy Court in Houston after reaching a deal with bondholders on a debt-for-equity swap that wipes out \$3.4 billion in debt.

Noble has carried a heavy debt load for years, but business has dried up since the Covid-19 pandemic led to collapsing demand for oil and gas. Earlier this month, the company missed a \$15 million payment on bonds that mature in 2024, starting a 30-day grace period to cover the amount, according to the company's public filings.

"Along with many other businesses in our industry, Noble has been affected by the severe downturn in commodity prices which has been compounded by the Covid-19 pandemic," said Robert Eifler, Noble's chief executive.

The company, which has a fleet of 24 offshore drilling rigs, will continue operating during the chapter 11 case.

The coronavirus pandemic has hurt the global economy, oil demand has fallen and there is a supply glut. Those factors have combined to drive down crude-oil prices, making customers think twice about drilling for more oil.

Although oil prices have rebounded some, there remains significant uncertainty about whether the trend will be sustained.

Other major offshore-drilling companies have filed for bankruptcy or are working on restructuring their debts. London-based Valaris PLC, with some \$7 billion in debt, recently warned a bankruptcy filing could be imminent. Diamond Offshore Drilling Inc. filed for bankruptcy in April.

In May, Noble warned it might not be able to continue as a going concern because the pandemic was likely to cause it to burn through cash faster than projected.

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The company said major bondholders will pump \$200 million of new capital-in the form of second-lien notes-into the reorganized business. A lending syndicate, led by JPMorgan Chase & Co, is expected to lend \$675 million to the new Noble. The company listed assets of \$7.3 billion against debts of \$4.7 billion in court filings.

An army of lawyers and bankers are advising Noble and its creditors. Among Noble's bankruptcy advisers are Skadden, Arps, Slate, Meagher & Flom LLP; Evercore Inc. and AlixPartners LLP.

Kramer Levin Naftalis & Frankel LLP, Akin Gump Strauss Hauer & Feld LLP and Ducera Partners LLC are advising an ad hoc group of Noble's s priority guaranteed noteholders. Milbank LLP and Houlihan Lokey Capital Inc. are advising senior noteholders. And Simpson Thacher & Bartlett LLP and PJT Partners Inc. are advising JPMorgan.

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Notes

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